Carma

Developers Ltd.

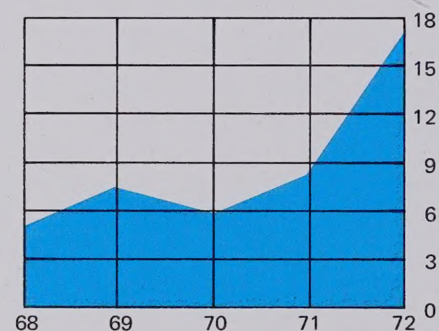
ANNUAL REPORT 1972

Highlights

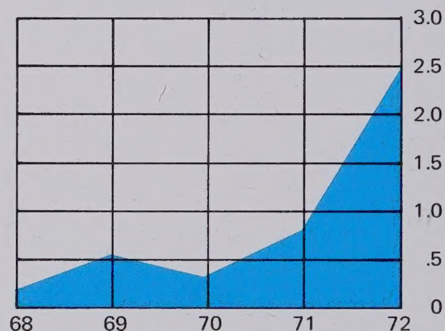
	1972	1971
Financial		
Sales	$ 17,193,639	$ 8,167,922
Net Income	$ 2,467,080	$ 798,251
Net income per common share	$ 1.70	$ .62
Cash flow per common share	$ 2.36	$ 1.23
Common shares outstanding at year end	1,605,648	1,288,500

Operating

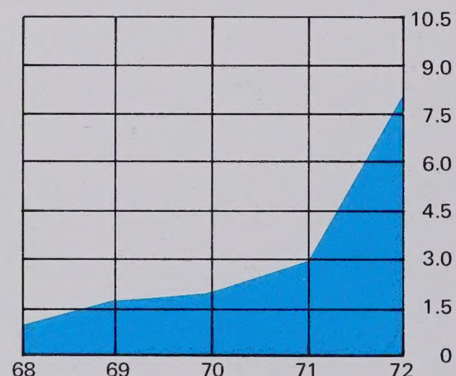
- Public underwriting and listing on Toronto Stock Exchange after 14 years of operations as a private company.
- Land acquired and divisional offices opened in Edmonton and Vancouver.
- Land bank expanded to 6,115 acres; net gain of 1,611 acres.



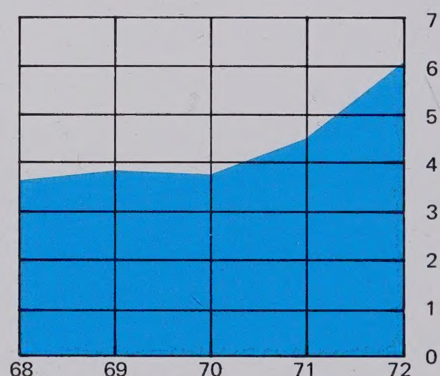
SALES
in millions of dollars



NET INCOME
in millions of dollars



SHAREHOLDERS' EQUITY
in millions of dollars



LAND HOLDINGS
in thousands of acres

CARMA DEVELOPERS LTD
AND SUBSIDIARIES

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CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF CASH
(Unaudited)
SIX MONTHS ENDED JUNE 30, 1972

Source of Cash:	
Operations	
Net income for the period	$ 230,177
Non-cash items:	
Deferred income taxes	208,255
Depreciation	16,350
Cash provided from operations	454,782
Decrease in accounts receivable and agreements for sale receivable	727,840
Increase in option deposits refundable	420,479
Proceeds of issuance of Series C Debentures	1,660,740
Proceeds of issuance of common shares	2,361,401
	$ 5,625,242
Application of Cash:	
Increase in land and utility costs	806,207
Additions to buildings and equipment	72,384
Financing and organization costs	50,000
Repayment of bank indebtedness ...	2,577,211
Decrease in accounts payable	1,361,585
Repayment of Series A and Series B Debentures	503,655
Excess of cost of subsidiary company over net book value	236,141
Changes in other assets and liabilities (net)	98,416
	$ 5,705,599
Decrease in cash	80,357
Cash, beginning of period	107,282
Cash, end of period	$ 26,925

(See accompanying notes)

Carma
Developers Ltd.

Head Office: Suite 263, 1632 - 14th Ave. N.W., Calgary, Alta.
Regional Offices: 306 Imperial Bank Building, Edmonton, Alta.
200, 1111 West Hastings St., Vancouver, B.C.

Auditors: Winspear, Higgins, Stevenson & Co.
Transfer Agent: Montreal Trust Co.

Printed in Canada

Carma
Developers Ltd.

Interim report for six months ended June 30 1972

Interim report to shareholders.

As this is our first report as a public company, we would like to welcome all new shareholders to Carma Developers Ltd. We are pleased to report that your company is on target in its development and sales programs and projections for 1972, with a total of 1,325 serviced lots sold or under option to June 30th.

Nearly all Carma's sales of serviced land begin as options. Value of serviced residential lots under option at June 30th is not shown as sales in the accompanying financial statement. These total $6.4 million, and it is expected they will be realized as sales in the second half of 1972. Your company has also acquired land for 378 residential lots in the Oakridge West area in southwest Calgary. The first phase of this new community, comprising 128 residential lots, will go on the market in August, 1972. A further 358 lots in the second phase of Silver Springs in northwest Calgary and 57 exclusive residential lots in Varsity Estates, Carma's golf-course subdivision, will also go onto the market in August. As a result, sales for the year ending December 30th, 1972, are expected to exceed those of 1971.

Bank credit totalling $6.5 million has been approved. This credit will be utilized to complete servicing of approximately 2,500 residential lots in seven communities now under construction. It will also be used to acquire and service additional lands in Calgary, Edmonton and, when appropriate, in Vancouver. Your company plans to progressively introduce its successful marketing system to other major urban growth centres.

Carma controls 4,690 acres of land for future development in Calgary and Edmonton. These market centres continue to grow at a rate of approximately four per cent annually.

Since the recent public offering of shares, several firms have been added to Carma's built-in market of private homebuilders with marketing contracts. This will add further strength to your company's marketing capability.

ROY WILSON
President

CARMA DEVELOPERS LTD.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
(Unaudited)
SIX MONTHS ENDED JUNE 30, 1972

Sales		$ 2,837,777
Cost of sales		2,216,241
		621,536
Interest and sundry income		66,455
		687,991
Administrative and general expense		129,916
Interest		103,293
Depreciation		16,350
		249,559
Net income before deferred income taxes		438,432
Deferred income taxes		208,255
Net income		$ 230,177
Average number of common shares outstanding		1,302,298
	No Dilution	Full Dilution
Net income per common share	**$ 0.18**	**$ 0.15**
Cash flow per common share	$ 0.35	$ 0.28

NOTES:

1. The Company's accounting policies follow the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies. The financial statements presented in this Interim Report are in accordance with these recommendations.
2. Comparative figures for 1971 are not included as this information for that period is not available.
3. Volume rebates applicable to the Company's sales may be declared by the Board of Directors at the conclusion of the 1972 fiscal year. Such volume rebates may be payable at a rate not in excess of 5% of sales and the Company's maximum expense for the six months ended June 30, 1972 could be approximately $86,000 after income taxes, which amounts to $0.07 per common share.
4. The calculation of fully diluted net income and cash flow per common share includes earnings after income taxes of $49,700 which have been imputed at the rate of 8% per annum.

Carma
Developers Ltd.

ANNUAL REPORT 1972

Contents

Annual Meeting

The Annual Meeting of Shareholders of Carma Developers Ltd. will be held at 10:00 a.m., March 27th, 1973, at 1600 Varsity Estates Drive N.W., Calgary, Alberta. Notice and proxy statements will be mailed to shareholders in advance of the meeting.

Cover

Aerial survey photo shows phases of Carma's development progress in Northwest Calgary. From the right are completed phases of Dalhousie and Varsity Acres; the fairways of the Company's Silver Springs Golf and Country Club in Varsity Estates and rough-grading patterns of the new Silver Springs subdivision. A third phase of Varsity Estates will be marketed in 1973 and model homes will go on show in Silver Springs early in the year.

To the Shareholders

During 1972 Carma Developers Ltd. earned $2.4 million or $1.70 per share, an increase of $1.6 million over 1971. Sales totalled $17 million, an increase of $8.8 million.

Record demand by builders, combined with increasing market values, were important factors in 1972's growth.
All indications, including the predictions of our own builder-shareholders, point to a strong demand for serviced lots in 1973. Carma's growing land bank puts your company in a good position to meet this sustained demand for serviced lots in 1973.
As of December 30th, 1972, Carma owned or held by option agreements 6,115 acres of land for future development in Calgary, Edmonton and Vancouver. A total of 42 builders in Calgary, Edmonton and Vancouver held marketing contracts at year end, and were entitled to draw for lots in new subdivisions. The marketing contracts ensure the continuity of the Company's built-in market, discourage speculation, and expedite orderly development of a reliable source of serviced residential lots for builders.

Carma, which has operated as a private company since 1958, completed a public underwriting on June 30th, 1972, and was listed on the Toronto Stock Exchange July 28th, 1972. Carma entered the Edmonton market in early 1972 by acquiring Base Holdings Ltd.
Our Vancouver office was opened in 1972 and land acquired in the Pitt Meadows area of the British Columbia lower mainland.

On behalf of the Board of Directors we congratulate our employees for their dedicated efforts which allowed your Company to exceed its goals in 1972. Carma has initiated a stock option plan and a bonus plan for key personnel. Plans are being developed for a new head office building which will provide more pleasant and efficient working conditions.

During 1972 Carma initiated a system of design controls in order to maintain the highest aesthetic standards in its communities.
The system is administered by a group of engineering, architectural and planning consultants.

We are looking ahead to 1973. Current indicators point to a continuation of your Company's growth and increasing opportunities to create better communities for Canadians.

R.T. Scurfield
Chairman

Roy G. Wilson

Roy Wilson
President

Carma's Silver Springs Golf Course in Varsity Estates will be the site of the 1973 Alberta Open Golf Championship in June. Phase 3 lots of Varsity Estates with the view above will be offered for sale in 1973.

Carma
Its History and its Objectives

Carma Developers Ltd. was formed in 1958 to meet urgent requirements for serviced residential lots in Calgary. The city as the prime developer was unable to bring serviced lots onto the market at a rate equal to the demands of the growing population.
As a result, a group of approximately 40 housebuilders formed Carma Developers Ltd. to acquire and assemble land for residential communities.

Carma does not speculate in land. Land acquisitions are made for the purpose of developing serviced residential lots for the general public and for the Company's built-in market of member builders.
Carma has developed and sold more than 11,000 serviced residential lots in Calgary as well as more than 500 acres of serviced land for multi-family residential and commercial uses. During the 14 years of its operation as a private company, Carma developed and sold approximately 28 per cent of the single-family and duplex residential lots in Calgary.
The dependability of this supply enabled many small builders to sustain successful growth and contributed to an exceptionally high standard of housing in Calgary.

Community planning has become progressively more sophisticated. Carma has kept pace with modern design concepts – developing village-type subdivisions that give each community a character and image of its own. Carma's golf-course subdivision, Varsity Estates, is an outstanding example of modern development where social and recreational amenities are planned and marketed as part of a total package.

Carma does not build houses. Its individual builder-shareholders form the Company's highly-motivated, entrepreneurial sales force. Carma supplements design and promotion of its communities with direct marketing assistance to member builders through sponsorship of home shows. Development of a total entity for marketing is being further enhanced by design controls negotiated with builders in new subdivisions.

Carma's growth will be maintained through development of quality communities in its Calgary base market.
The Company will also continue to expand through extension of its successful formula to other major urban-growth centres in Canada, as in 1972 when it entered the Edmonton and Vancouver markets.

Carma assists builder marketing programs in its communities through sponsorship of home shows, four of which were staged in 1972. The above model was shown in the 1972 "Parade of Homes" in Varsity Estates, Carma's golf course community which caters to the top end of the Calgary market.

Land Development and Housing In Perspective

The single family home, or variations such as townhouses and urban cluster housing, will remain the preferred type of accommodation for the vast majority of Canadians.

Financial institutions, governments and industry experts have expressed virtually unanimous support for the objective of maintaining construction of these units at record levels in 1973. Co-operation between developers and regulatory authorities is required if price stability is to be maintained and if rising wages are to assist more families in entering the market.

The land developer and builder represent the interests of **future** home owners. This is basic in creating policies and priorities which will aid the maximum number of Canadian families in achieving ownership of homes of their own.

The "no-growth" concept and extensive government ownership of land as a means of managing development are basically superficial solutions because they overlook the immediate and continuing needs of people.

The "no-growth" concept caters only to those who already own their homes and is promoted by many municipalities as a means of controlling costs. Many municipalities actually attempt to discourage low-cost housing because initial people-service costs add to the tax burden of other property owners. This situation is likely to prevail until changes are made in the tax structure.

Industry associations have advocated a number of positive policies and actions to assist in holding the cost line and supplying urgent needs for housing. **Review of the planning and subdivision approval process** should include a time limit on decisions by each agency involved. Bureaucratic delays in the planning process are a prime factor in escalation of prices for serviced residential lots. Housing supply and cost to the consumer should be introduced as a basic consideration in planning.

Funds destined for costly and self-defeating government land-bank schemes should be diverted into such self-liquidating programs as construction of watermains and trunk sewers which would help open more residential land for development. Costs could be forced even higher if large tracts of developable land are withdrawn from the market for government land banks. Such programs could only disrupt scheduling by private builders and create artificial shortages of land and resultingly higher prices.

A sufficient supply of land must be zoned for development in advance of demand and trunk services constructed to expedite development in time to meet demands of the market. Shortages of land ready for immediate development contribute to land speculation at the expense of legitimate developers and the buying public.

In summary, the best protection of the consumer's interests is not governmental regulation or monopoly but vigorous competition by private developers operating in a free market.

Attractive bungalows in the $22,000 range were shown in Carma's 1972 "Parade of Homes" in the DoverGlen community. Lots in the final phases of this subdivision will be offered to builders in 1973.

Review of Operations

Land controlled by Carma as of December 30th, 1972 totalled 6,115 acres, a net increase of 1,611 acres over the land inventory of a year earlier.
During 1972, Carma purchased or optioned 2,593 acres in the following urban areas: Calgary, 1,914 acres; Edmonton, 610 acres and Vancouver, 69 acres.
A total of 982 acres were sold during the same period.

The financial results for Carma's first fiscal year end as a public company resulted in net income of $2,467,000 or $1.70 per share.
This substantial earnings increase is reflected by the growth of sales to $17,194,000 from $8,168,000 in 1971. Sales of commercial, high density land and undeveloped acreage contributed to a higher net income as a percentage of sales in 1972 than in 1971. However, the majority of the Company's income continued to be derived from the sale of fully serviced low density residential building sites.

The listing of Carma's shares on the Toronto Stock Exchange created a cash inflow to the treasury of $2.2 million. The Company's financial base was further improved by the securing of a $6.5 million bank line of credit and the replacement of the Series A and B Debentures with the convertible Series C Debentures. The fact that the Company did not have to utilize the bank line of credit during 1972 verifies its present strong financial position.

Calgary Division: A successful fall home show assisted in marketing of 168 lots drawn by builders in the second phase of the exclusive Varsity Estates community.
A third phase of this golf-course subdivision will be offered to builders in 1973.
Marketing of the Marlborough West and DoverGlen communities, where home shows were held in 1972, will be virtually completed in 1973.
The latest phase of the Dalhousie community was also assisted by a show of model homes and now is sold out.
Initial phases of the new Silver Springs subdivision have also been sold out to builders and model homes will go on display in the late spring.
Planning approval has been obtained for future phases of this major new northwest Calgary community.

The city has also granted land-use approval for a 170-acre tract in northeast Calgary which will allow continuation of orderly development in this area.
Carma is working in co-operation with university and citizens' groups for completion by July 1st, 1973, of a sector plan for a large tract of prime developable land in north Calgary.

Edmonton Division: A total of 161 lots in the St. Albert community adjacent to Edmonton were sold to builder-shareholders. Servicing will be completed and a home show will open in the spring of 1973. Carma also controls 412 acres in the south Edmonton areas of Mill Woods and Kaskitayo and 160 acres in the Sherwood Park area.

Vancouver Division: Servicing of land acquired in the Pitt Meadows area of the Lower Mainland is now in progress. Additional land acquisitions are under negotiation.

Corporate Social Responsibility

During 1972, Carma continued its program geared to a concept of corporate social responsibilities.

As well as contributions to such charitable causes as the United Fund, Carma undertook to sponsor **junior sports and recreational development** on a substantial scale. This sponsorship included little league baseball teams, bantam hockey and junior football. Interim financing was provided for a major indoor swimming pool to be operated by the city recreation department in Carma's Huntington Hills community. **A family ski area** and an outdoor pool are now under consideration in north and northwest Calgary. The Company's Silver Springs Golf Course is scheduled as the site of the 1973 Alberta Open Golf Championship. These projects involve citizens of all ages living in and outside Carma communities.

Carma continued to maintain membership in the Housing and Urban Development Association of Canada, HUDAC Calgary, the Urban Development Institute and the international Urban Land Institute. Studies and meetings sponsored by these groups enable the Company to keep abreast of **modern planning techniques** and assist in planning and development of communities with improved environmental features.

Carma's four district managers at a meeting in Calgary: Rudy Janzen, Calgary; Bryan Winspear, Vancouver; Dave MacDougall, Edmonton and Gary Reed, Calgary. A youthful group, they offer experience and expertise in engineering, marketing, finance and community planning.

Auditors' Report

To the Shareholders of Carma Developers Ltd.

We have examined the consolidated balance sheet of Carma Developers Ltd. and its subsidiary company as at December 30, 1972 and the consolidated statements of income and retained earnings and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of Carma Developers Ltd. and its subsidiary company as at December 30, 1972 and the results of their operations and source and application of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in accounting for general long term debt interest and other direct costs, as described in Note 2, which is in accordance with generally accepted accounting principles.

Winspear, Higgins, Stevenson & Co.

Calgary, Alberta
February 26, 1973

Chartered Accountants

Consolidated Statement of Income and Retained Earnings
For the years ended December 30, 1972 and 1971

	1972	1971
Sales - Residential	$ 14,932,218	$ 7,698,212
- Commercial, high density and undeveloped acreage	2,261,421	469,710
	17,193,639	8,167,922
Cost of sales - Residential	10,968,339	5,845,971
- Commercial, high density and undeveloped acreage	887,109	262,685
	11,855,448	6,108,656
Gross profit	5,338,191	2,059,266
Interest and sundry income	167,271	89,823
	5,505,462	2,149,089
Administrative and general expenses	693,240	493,845
Interest on long term debt (Note 2)	-	47,778
Depreciation and amortization	28,513	34,748
	721,753	576,371
Net income before income taxes	4,783,709	1,572,718
Income taxes		
Current	1,383,939	21,363
Deferred (Note 9)	932,690	753,104
	2,316,629	774,467
Net income	2,467,080	798,251
Retained earnings, beginning of year	3,010,904	2,212,653
Retained earnings, end of year	$ 5,477,984	$ 3,010,904
Earnings per share (Note 13)		

The accompaning notes form part of this statement

Carma Developers Ltd. and Subsidiary Company

Consolidated Balance Sheet

December 30, 1972 and 1971

Assets	1972	1971
Cash and deposit receipts	$ 735,961	$ 107,282
Receivables		
Trade, secured by agreements for sale maturing within one year	7,429,965	2,298,524
Agreements for sale on commercial land (Note 3)	1,179,766	1,354,266
Other	688,011	496,302
Income taxes recoverable	-	238,637
Land, developed and under development, at cost (Note 4)	3,197,790	5,010,160
Prepaid expenses	161,576	66,472
Land held for future development (Note 5)	9,418,627	5,993,584
Buildings and equipment, at cost less accumulated depreciation, 1972 - $50,739; 1971 - $45,519	396,340	393,771
Deferred financing costs, less amortization of $4,091	77,738	-
Excess of cost of subsidiary company over book value thereof	236,141	-
	$ 23,521,915	$ 15,958,998

APPROVED ON BEHALF OF THE BOARD

R Campfield Director

Roy G. Wilson Director

The accompanying notes form part of this statement

Liabilities	1972	1971
Bank indebtedness	$ -	$ 3,288,461
Payables and accruals (Note 6)	4,532,993	2,902,169
Option deposits	36,052	313,950
Income taxes payable	1,278,569	-
Payable on land under development	401,718	821,250
Payable on land held for future development (Note 7)	5,112,896	3,339,441
Debentures payable (Note 8)	1,660,740	563,150
Deferred income taxes (Note 9)	2,636,138	1,703,448
	15,659,106	12,931,869
Contingent (Note 12)		
Shareholders' Equity		
Share capital (Note 10)		
Authorized		
3,000,000 shares without nominal or par value		
Issued and outstanding		
1,605,648 shares (1971 - 1,288,500) for a consideration of	2,373,754	5,154
Contributed surplus	11,071	11,071
Retained earnings	5,477,984	3,010,904
	7,862,809	3,027,129
	$ 23,521,915	$ 15,958,998

Consolidated Statement of Source and Application of Cash
For the years ended December 30, 1972 and 1971

	1972	1971
Source of cash		
Operations		
Net income for the year	$ 2,467,080	$ 798,251
Items not requiring the outlay of cash		
Depreciation and amortization	28,513	34,748
Deferred income taxes	932,690	753,104
	3,428,283	1,586,103
Decrease in agreements for sale on commercial land	174,500	249,828
Decrease in prepaid expenses	-	35,717
Increase in bank indebtedness	-	2,511,461
Increase in payables and accruals	1,630,824	195,072
Increase in option deposits	-	111,350
Increase in income taxes payable	1,517,206	-
Issue of Series C subordinated convertible debentures	1,660,740	-
Issue of common shares	2,368,600	-
	10,780,153	4,689,531
Application of cash		
Increase in trade and other receivables	5,323,150	2,074,552
Increase in investment in land and utility costs	258,747	1,549,320
Increase in prepaid expenses	95,107	-
Increase in buildings and equipment	26,991	422,539
Increase in deferred financing costs	81,829	-
Decrease in bank indebtedness	3,288,461	-
Decrease in option deposits	277,898	-
Decrease in income taxes payable	-	500,409
Redemption of Series A and B debentures	563,150	64,425
Excess of cost of subsidiary company over book value thereof	236,141	-
	10,151,474	4,611,245
Increase in cash and deposit receipts	628,679	78,286
Cash and deposit receipts, beginning of year	107,282	28,996
Cash and deposit receipts, end of year	$ 735,961	$ 107,282

The accompanying notes form part of this statement

Notes to Consolidated Financial Statements
December 30, 1972

1. Accounting policies

The Company's accounting policies follow the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies. The following is a summary of these policies:

(a) Income recognition

Land sold is recognized as income for accounting purposes on the date on which title to the land passes on closing of the sale. Land sold by way of an agreement for sale is recognized as income when the agreement for sale is duly executed and delivered. In both cases, income is recognized only when the Company has received a cash down payment of not less than fifteen per cent.

(b) Land costs

The Company determines the cost of developed lots sold and unsold as follows:

(i) Undeveloped land cost is prorated on an acreage basis in each phase of a subdivision under development.

(ii) Servicing costs are estimated and prorated on a front footage basis in each phase of a subdivision under development.

(iii) Upon the substantial completion of each phase of a subdivision under development any difference between actual and estimated servicing costs is recognized by way of adjustment in the accounts.

(iv) Each phase of a subdivision under development is treated as a complete development area.

(c) Capitalization of costs

The Company capitalizes the following as a part of the cost of land held for future development:

(i) Interest on agreements relating directly to the acquisition of land held for future development.

(ii) Real estate taxes on land held for future development.

(iii) Interest on general long term debt borrowing deemed applicable to the Company's investment in land held for future development.

(iv) Other direct costs applicable to land held for future development, including administrative overhead, commissions, legal fees, soil testing and engineering studies.

(d) Subsidiary company and joint ventures

The consolidated financial statements include the assets and liabilities and results of operations of a wholly owned subsidiary, Carma Developers (Edmonton) Ltd., (formerly Base Holdings Ltd.) and the proportionate share of assets, liabilities, income and expenses of the Company's interest in unincorporated joint ventures. The Company has a 50 per cent interest in all joint ventures to which it is a party.

(e) Reclassification of 1971 figures

Certain of the 1971 amounts, including sales and cost of sales have been reclassified to conform with the presentation adopted in 1972.

2. Changes in accounting policies

In 1972 the Company adopted a policy of allocating interest on general long term debt and other direct costs, including administrative overhead, to land held for future development. Such costs allocated for the year amounted to $165,694, resulting in an increase in net income for the current year of $86,989.

The financial statements for 1971 have not been restated to reflect this change in accounting policy. Had the financial statements for 1971 been restated, net income for 1971 would have increased by approximately $29,800.

3. Agreements for sale on commercial land

The agreements for sale on commercial land yield interest at varying rates up to 9 per cent. Principal payments due on these agreements are as follows:

1973	$ 425,866
1974	252,700
1975	122,700
1976	122,700
1977	122,700
Subsequent to December 30, 1977	133,100
	$ 1,179,766

4. Land, developed and under development

	1972	1971
Land, developed and under development, at total estimated cost	$ 5,828,083	$ 8,329,050
Deduct: Estimated costs to complete	2,630,293	3,318,890
Land, developed and under development, at cost to date	$ 3,197,790	$ 5,010,160

Land, developed and under development was appraised by J.C. Leslie, A.A.C.I., of J.C. Leslie & Co. Ltd., Appraisers and Real Estate Consultants, as at December 30, 1972. Based on these appraisals the land developed and under development has an appraised value of $11,113,746 which is $5,285,663 in excess of the total estimated cost.

5. Land held for future development

Land held for future development, including option deposits, is stated at cost, and includes the following:

	1972	1971
Land and option deposits, at cost	$ 8,442,036	$ 5,711,693
Interest	482,783	30,219
Development costs	373,481	231,014
Taxes, professional fees and commissions	72,945	20,658
General and administrative expenses	47,382	-
	$ 9,418,627	$ 5,993,584

To acquire the land under option an additional expenditure of $3,618,571 (1971 - $1,403,471) will be required.

Land held for future development was appraised by J.C. Leslie, A.A.C.I. of J.C. Leslie & Co. Ltd., Appraisers and Real Estate Consultants, as at December 30, 1972. Based on these appraisals the land held for future development has an appraised value of $33,203,745 which is $20,540,028 in excess of the total cost, excluding development costs.

6. Payables and accruals

	1972	1971
Trade	$ 2,416,817	$ 2,040,081
Accrued development costs on land sold	2,116,176	862,088
	$ 4,532,993	$ 2,902,169

7. Payable on land held for future development

Agreements for sale at interest rates varying up to 9 per cent per annum on land purchases are repayable as to principal approximately as follows:

1973	$ 1,349,664
1974	1,193,044
1975	1,142,250
1976	527,726
1977	249,712
Subsequent to December 30, 1977	650,500
	$ 5,112,896

8. Debentures payable

During 1972 the Series A and B debentures outstanding at December 30, 1971 totalling $563,150 were redeemed. On March 1, 1972, $1,660,740 Series C subordinated convertible debentures were issued. These Series C debentures bear interest at the rate of 8 per cent per annum and are convertible into common shares of the Company at any time up to and including March 1, 1975 at a price of $10 per share. The Series C debentures are callable by the Company at par at any time after March 1, 1975 and mature on March 1, 1979.

9. Deferred income taxes

The deferment of the payment of income taxes to future periods arises from:

(a) The treatment of

(i) Utility costs expended on the development of subdivisions in relation to cost of sales recorded in the accounts.

(ii) Interest and other expenses relating to undeveloped land.

(iii) The deferred portion of financing costs, and

(b) The recognition of profits for income tax purposes from land sales where the balance of the purchase price is receivable after the end of the year.

10. Share capital

(a) During the year shares were issued as follows:

	Consideration
(i) 300,000 shares for cash pursuant to an underwriting agreement	$ 2,220,750
(ii) 15,768 shares for debentures and shares of Base Holdings Ltd., Series A and B debentures of the Company and payment of certain indebtedness of the Company	140,650
(iii) 1,200 shares for cash on the exercise of stock options	7,200
	$ 2,368,600

(b) Options

The Company has a stock option plan under which 64,800 shares have been reserved for purchase by senior officers and employees. Options covering 50,600 shares have been granted, exercisable to July 31, 1981 at prices varying from $6.00 to $9.00 per share.

(c) Reserved shares

166,074 of the Company's shares are reserved for the conversion of the Series C subordinated convertible debentures described in Note 8.

11. Remuneration to directors and senior officers

The aggregate direct remuneration of directors and senior officers amounted to $178,626 (1971 - $102,922) for the year ended December 30, 1972, which amount included $21,700 (1971 - $22,500) in director's fees.

12. Contingent

The Company is committed to spend an estimated $2,630,293 to complete subdivisions under development (Note 4). These commitments arise from development agreements entered into with municipal governments.

13. Earnings per share

	1972	1971
Earnings	**$ 1.70**	$ .62
Fully-diluted earnings	**$ 1.39**	$ .61

Earnings per share have been calculated on the basis of the weighted average number of shares outstanding during the year.

Fully-diluted earnings per share have been calculated as though the shares related to the conversion of Series C debentures, the exercise of stock options and the issuances of shares during the year had actually been issued at the beginning of the year. Earnings have been imputed at 8 per cent per annum before income taxes on the cash that would have been received had the above occurred. Interest expense was not reduced with respect to the conversion of the debentures as in 1972 all interest on these debentures was capitalized.

14. Subsequent events

An offer made on December 20, 1972, through a wholly-owned subsidiary company, to acquire all the outstanding preferred and common shares and shareholder's loans of Sur-Del Builders Development Ltd. was accepted by all of the shareholders of that company on February 23, 1973. The consideration paid under the offer is as follows:

(i)	Series C subordinated convertible debentures	$ 989,960
(ii)	Cash	482,830
		$ 1,472,790

These Series C subordinated convertible debentures bear interest at the rate of 8 per cent per annum, are convertible into common shares of the Company any time up to March 1, 1976 at a price of $10 per share, are callable any time after March 1, 1976 and mature March 1, 1980.

The Company has reserved 98,996 shares for the conversion of these debentures.

15. Additional information

During the years 1969 and 1970, the Company constructed a golf course as part of the development of approximately 660 acres of land located in northwest Calgary. An amount of approximately $1,600,000, being a portion of the golf course costs, has been allocated by the Company to the saleable commercial and residential land adjacent to and surrounding the golf course. The golf course land is dedicated for recreational use for 99 years. Although the Company regards its treatment

of these costs as justifiable and proper, the Department of National Revenue has indicated that some re-assessment (details of which are not yet known) will be made. It appears, however:

(i) that a substantial portion of the above cost will be treated as depreciable assets in respect of which the Company can claim capital cost allowance, and

(ii) that a portion of the remaining cost will be disallowed.

The Company proposes, immediately upon receipt of any re-assessment, to commence appeal proceedings.

No provision has been made in the accounts for income taxes which would become payable pursuant to any such re-assessment.

In addition, the Department of National Revenue is examining the timing of the deductibility of utility costs for income tax purposes. The Company, which considers its treatment of this item to have been proper, is currently making submissions in this regard. Any re-assessment would affect the timing of payment of income taxes only. (Note 9).

Consolidated Financial Review

	1972	1971	1970	1969	1968
Results of Operations					
Sales	**$ 17,194,000**	$ 8,168,000	$ 5,940,000	$ 7,489,000	$ 5,134,000
Gross profit	**$ 5,338,000**	2,059,000	1,545,000	2,159,000	1,220,000
Net income before income taxes	**$ 4,784,000**	1,573,000	717,000	1,092,000	482,000
Net income	**$ 2,467,000**	798,000	348,000	557,000	247,000
Net income per share	**$ 1.70**	.62	.27	.43	.19
Cash flow per share	**$ 2.36**	1.23	.35	.84	.37
Financial Position					
Land, developed and undeveloped	**$ 12,616,000**	$ 11,004,000	$ 8,888,000	$ 6,371,000	$ 6,007,000
Total assets	**$ 23,522,000**	15,959,000	11,350,000	10,300,000	9,293,000
Long term debentures	**$ 1,661,000**	563,000	628,000	692,000	692,000
Shareholders' equity	**$ 7,863,000**	3,027,000	2,229,000	1,983,000	1,321,000
Book value per share	**$ 5.41**	2.35	1.73	1.54	1.03
Average number of shares outstanding	**1,453,389**	1,288,500	1,288,500	1,288,500	1,288,500

Officers and Directors

R. T. Scurfield	Chairman and Director	President Nu-West Development Corporation Ltd.
Roy Wilson	President and Director	
C. J. Combe	Executive Vice-President and Secretary	
A. M. Usselman	Vice-President and Director	President Anton Developments Ltd.
Howard Ross	Director	President Britannia Homes Ltd.
Klaus Springer	Director	President Springer Construction Ltd.
S. K. Hooper	Director	President Stanton Developments Ltd.,
S. H. Wood, Q.C.	Director	Partner MacKimmie, Matthews
George Heywood	Director	Retired partner Richardson Securities of Canada
R. F. Leland, C.A.	Treasurer and Controller	

Builder-Shareholders with Marketing Contracts

Calgary: A.B. Custom Designers Ltd.; Art Rempel Homes Ltd.; B & H Homes (Calgary) Ltd.; Bamlett Construction Ltd.; Boldt, Gerhard; Britannia Homes Ltd.; Built-Rite Developers Ltd.; Cedarglen Homes (Division of Atco); Dania Construction (1966) Ltd.; J.K. Built Homes Ltd.; G. Janssen Homes Ltd.; Gerhard Bartel Building Contractor Ltd.; John Wagner Construction of Calgary Ltd.; Koltes, Alfons J.; F. Kuran Construction Co. Ltd.; Kvellestad, Norman and Lars; Mizera Construction Co. Ltd.; Neufeld Construction Ltd.; Nu-West Development Corporation Ltd.; Otto Bartel Homes Ltd.; Paragon Homes Limited; Palace Homes Ltd.; Park Place Projections Ltd.; Qualico Development Ltd.; Rempel Construction Co. Ltd.; Semon & Lucas Construction Co. Ltd.; Spindler Construction Ltd.; Springer Construction (Calgary) Ltd.; Wm. Lange Construction Ltd.
Edmonton: Alldritt Construction Co. Ltd.; Amrin Investments Ltd.; Built-Rite Developers Ltd.; Candlelight Homes Limited; Cedarglen Homes (Division of Atco); Delwood Construction & Development Ltd.; Durham Homes Ltd.; Engineered Homes Ltd.; Marlo Homes Ltd.; Nu-West Development Corporation Ltd.; Oakland Homes Ltd.; Qualico Development Ltd.; Quest Homes Ltd.; Schaaf Bros. Construction; J. Schouten & Sons Construction Ltd.; Skylark Construction Ltd.; Sommers Construction Ltd.; Springer Construction Ltd.; Stanton Developments Ltd.
Vancouver: Engineered Homes Ltd.; Nu-West Development Corporation Ltd.; Springer Construction Ltd.

Subsidiary Companies:

Carma Developers (Edmonton) Ltd. Carma Developers (Realty) Ltd. Vandevco Development Ltd.
Sur-Del Builders Development Ltd.

Auditors: Winspear, Higgins, Stevenson & Co.
Transfer Agent: Montreal Trust Co.
Shares listed: Toronto Stock Exchange

Policy is established and directed by the Carma management committee: C. J. Combe, executive vice-president; R. T. Scurfield, chairman of the board; Roy Wilson, president; Howard Ross, director; R. F. Leland, controller.

Carma

Developers Ltd. Communities planned for growing value.

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